

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM BOARD OF ADMINISTRATION

MINUTES OF MEETING

Wednesday, September 16, 2009

The Board of Administration met on Wednesday, September 16, 2009 in the Lincoln Plaza North Building, Auditorium, 400 Q Street, Sacramento, California.

The meeting was called to order at approximately 9:44 a.m. and the following members were present:

Rob Feckner, President
George Diehr, Vice President
Terry McGuire for John Chiang
Dan Dunmoyer
Greg Beatty for David Gilb
Henry Jones
Steve Coony for Bill Lockyer
Louis F. Moret
Tony Oliveira
Kurato Shimada

Board of Administration Members excused: Patricia Clarey and Priya Mathur Board of Administration Members absent: Charles Valdes

AGENDA ITEM 3 – APPROVAL OF AUGUST 2009 MEETING MINUTES

On **MOTION** by George Diehr, **SECONDED** by Greg Beatty, and **CARRIED**, that the August 19, 2009 Open Session minutes be approved as presented.

AGENDA ITEM 4 – CHIEF INVESTMENT OFFICER'S REPORT

Joe Dear, Chief Investment Officer (CIO) presented the CIO report to the Board. Items included:

- Financial news reports on the collapse of Lehman Brothers and its aftermath on the effect of the worldwide financial system and the lessons learned in the financial markets
- Update on performance and assets of CalPERS and portfolio strategies.
 CalPERS has gained back over \$30 billion since March 2009, and July and

- August have been encouraging with the performance of Global Equity and Fixed Income Strategies
- Housing and credit markets continue to function better and improve

AGENDA ITEM 6 – AD HOC RISK MANAGEMENT COMMITTEE

Tony Oliveira, Chair, Ad Hoc Risk Management Committee, informed the Board that the meeting was postponed until November.

AGENDA ITEM 7 - BENEFITS AND PROGRAM ADMINISTRATION COMMITTEE

Kurato Shimada, Chair, Benefits and Program Administration Committee, presented the Committee Summary report to the Board. The Committee met on Tuesday, September 15, 2009.

Additional information may be found in the September 15, 2009 Agenda materials and transcripts of the Committee meeting.

On **MOTION** by Kurato Shimada, **SECONDED** and **CARRIED**, the Board approved the following:

 Subject to an affirmation that the recommendation has no adverse tax consequences, CalPERS will seek legislation to combine public agency 1959 Survivor Levels 1, 2, and 3 to form a new pool that pays the current Level 3 benefit of \$350 per month for a single survivor and eliminate the \$2 monthly member premium

The next Benefits and Program Administration Committee is scheduled for November 17, 2009 in Sacramento, California.

AGENDA ITEM 8 – HEALTH BENEFITS COMMITTEE

George Diehr, Vice-Chair, Health Benefits Committee, presented the Committee Summary report to the Board. The Committee met on Tuesday, September 15, 2009.

Additional information may be found in the September 15, 2009 Agenda materials and transcripts of the Committee meeting.

The next Health Benefits Committee is scheduled for November 17, 2009 in Sacramento, California.

Vice-Chair George Diehr announced that at the Health Benefits Committee, Assistant Executive Officer Greg Franklin was recognized for his service with CalPERS. He will be joining the Department of Health Care Services on October 1 as Deputy Director of Operations. Mr. Franklin was thanked for his service and acknowledged for his efforts and successful leadership in the negotiation of health benefit rates. Deputy Executive

Officer Kathleen Hamilton also thanked Mr. Franklin for his support and commitment to CalPERS members and staff. Ms. Hamilton introduced the Acting Assistant Executive Officer, Ellen Badley.

AGENDA ITEM 9 – FINANCE COMMITTEE

Tony Oliveira, Chair, Finance Committee, presented the Committee Summary report to the Board. The Committee met on Tuesday, September 15, 2009.

Additional information may be found in the September 15, 2009 Agenda materials and transcripts of the Committee meeting.

On **MOTION** by Tony Oliveira, **SECONDED**, and **CARRIED**, the Board approved the following:

- Transmittal of the 2009-12 CalPERS three-year business plan semi-annual update to the Joint Legislative Budget Committee, Fiscal Committees of the Legislature, the State Controller, and the Department of Finance in accordance with the Budget Act of 2008. The Plan will also be sent to the Legislative Analyst's Office and the State and Consumer Services Agency
- Transmittal and submission of the year-end budget and expenditure report for FY 2008-09

The next Finance Committee is scheduled for November 17, 2009 in Sacramento, California.

AGENDA ITEM 10 – PERFORMANCE AND COMPENSATION COMMITTEE

Lou Moret, Chair, Performance and Compensation Committee, presented the Committee Summary report to the Board. The Committee met on Monday, September 14, 2009.

Additional information may be found in the September 14, 2009 Agenda materials and transcripts of the Committee meeting.

On **MOTION** by Lou Moret, **SECONDED** and **CARRIED**, the Board approved the following:

 The first reading of the 2009-10 performance plan for the Portfolio Manager, Asset Allocation and Risk Management, approved as the final plan

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The next Performance and Compensation Committee is scheduled for November 16, 2009 in Sacramento, California. [This meeting has since been postponed to December 2009.]

AD HOC BOARD GOVERNANCE COMMITTEE

President Feckner stated that the Ad Hoc Board Governance Committee failed to get on the Agenda. The Committee met on September 15 and elected Rob Feckner as Chair and George Diehr as Vice Chair.

The Committee reviewed and offered revisions to the Board's Governance Policy and directed staff to present the revised policy for discussion at the next meeting. The Board's travel policies and protocols were also discussed.

Additional information may be found in the September 15 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Ad Hoc Board Governance Committee is scheduled for November 17, 2009 in Sacramento, California.

AGENDA ITEM 5 – INVESTMENT COMMITTEE

George Diehr, Chair, Investment Committee, presented the Committee Summary report to the Board. The Committee met on Tuesday, September 14 and 16, 2009.

Additional information may be found in the September 14 and 16, 2009 Agenda materials and/or transcripts of the Committee meeting.

The next meeting of the Investment Committee is scheduled for November 16, 2009 in Sacramento, California.

AGENDA ITEM 11 – BOARD MEETING CALENDAR

No changes were made to the Calendar.

AGENDA ITEM 12 - CHIEF EXECUTIVE OFFICER'S REPORT

On behalf of the Executive staff and the entire CalPERS family, Anne thanked Greg Franklin for his service to CalPERS and our members and employers

Ms. Stausboll reported on the following:

- Stanford Diversity Conference hosted by CalPERS and CalSTRS, in coordination with the Arthur and Toni Rembe Rock Center for Corporate Governance and Stanford's Law School
- The CalPERS Diversity Outreach Program was started more than 5 years ago.
 Ms. Stausboll touched on the progress of the Program and its events and achievements in a number of areas including leadership training, investment outreach and employee activities. Ms. Stausboll recognized the staff members of the Diversity Outreach Program

- CII Fall Conference held September 30 October 2 in Los Angeles
- Annual CalPERS Employer Education Forum held in Santa Clara October 26-28
- CalPERS' participation in the annual California State Employees Charitable Campaign, which benefits thousands of nonprofit organizations.

AGENDA ITEM 13 – PENSION SYSTEM RESUMPTION PROJECT UPDATE

Teri Bennett, Assistant Executive Officer and Chris Jasper, KPMG, Project Oversight, provided a status report on the PSR project.

At this time, President Feckner took a point of privilege and thanked staff for all their hard work on the Golf Tournament event and the Ice Cream Social Event held in August.

President Feckner presented a Resolution to David Felderstein, Chief Consultant to the Senate Public Employment and Retirement Committee. Mr. Felderstein is retiring October 3 and has dedicated over thirty years to this Committee and public service. President Feckner acknowledged Mr. Felderstein for his service and accomplishments to the Committee, the CalPERS Board, Staff, and Constituents.

AGENDA ITEM 14 – EXTERNAL AFFAIRS UPDATE

Patricia Macht, Director, External Affairs provided an update on External Affairs and reported on the following:

- Update on plans to convene constituent groups to discuss pension issues
- Selection of the new Chief of Public Affairs, Brad Pacheco
- The launch of CalPERS Responds and the benefits for members and employers for information sharing
- Calendar of editorial board meetings

AGENDA ITEM 15 – BOARD'S STATE LEGISLATIVE PROGRAM/BOARD'S POSITION ON STATE LEGISLATION

Melanie Moreno, Division Chief, Governmental Affairs provided an update on various bills and an update on the Coalition Letter regarding biogenerics legislation pending in the U.S. House of Representatives.

AGENDA ITEM 16 – BOARD'S FEDERAL LEGISLATIVE PROGRAM/BOARD'S POSITION ON FEDERAL LEGISLATION

Tom Lussier, CalPERS Federal Liaison provided updates on the following items:

- Hearings held by the Government Accounting Standards Board
- Meeting with the new Assistant Secretary of the Treasury for tax policy on retirement and health care, and the ongoing IRS compliance initiative

- CalPERS invitation to testify before the Oversight and Government Reform Committee on the topic of credit rating agencies
- Market reform legislation
- Health care reform legislation

AGENDA ITEM 17A thru 17I – PROPOSED DECISIONS OF ADMINISTRATIVE LAW JUDGES

Peter Mixon, General Counsel, reported on proposed decisions of administrative law judges, cases 17A through 17I, excluding 17D. Mr. Mixon indicated that Staff's recommendation is for a full Board hearing for 17D.

Board Member Dan Dunmoyer recused himself from voting on Agenda Item 17D due to his personal relationship with the member.

On **MOTION** by Steve Coony, **SECONDED** by Henry Jones, and **CARRIED**, the Board approved Staff's recommendation on the proposed decisions of Administrative Law Judges for 17A through 17I.

On **MOTION** by Vice-President George Diehr, **SECONDED** by Henry Jones, and **CARRIED**, the Board moved to approve Staff's recommendation for a full hearing on 17D.

AGENDA ITEM 18 – PETITION FOR RECONSIDERATION

On **MOTION** by Vice-President George Diehr, **SECONDED** by Steve Coony, and **CARRIED**, the Board approved Staff's recommendation for petition of reconsideration.

AGENDA ITEM 19 – GENERAL COUNSEL'S REPORT

Peter Mixon reported on the annual litigation report and assignment matrix. Terry McGuire requested Mr. Mixon distinguish what is new, in terms of what has been added, to future reports.

AGENDA ITEM 20 – BOARD TRAVEL APPROVALS

On **MOTION** by Kurato Shimada, **SECONDED** by Henry Jones, and **CARRIED**, the Board approved the Board travel.

AGENDA ITEM 21 - DRAFT AGENDA FOR November 18, 2009 Meeting

No comments

AGENDA ITEM 22 – NEW BUSINESS AGENDA SETTING

No comments.

AGENDA ITEM 23 – PUBLIC COMMENT

There was no public comment.

AGENDA ITEM 24 – CLOSED SESSION - ANNUAL EMPLOYEE PERFORMANCE REVIEW AND UPDATES

Greg Beatty recused himself from Closed Session due to a potential conflict of interest. Terry McGuire also was recused from Closed Session due to a potential conflict of interest. The Board of Administration recessed into closed session at 11:10 a.m.

The Open Session reconvened at 11:23 a.m.

President Feckner stated the Board would be reporting out their action from Closed Session on personnel actions it took regarding recommendations of the Performance and Compensation Committee.

By a vote of nine to zero, with zero abstentions, the Board approved the following:

 No base-pay increase would be granted for the Chief Executive Officer, Chief Actuary, General Counsel, Interim Chief Operating Officer, and Senior Investment Officers for the 09-10 fiscal years.

By a vote of eight to zero, with one abstention, the Board approved the following:

 Annual performance awards for the Chief Executive Officer, former Interim Chief Executive Officer, Chief Actuary, General Counsel, former Interim Chief Investment Officer, Interim Chief Operating Investment Officer, and Senior Investment Officers for the 08-09 fiscal year.

There being nothing further to come before the Board of Administration, the meeting adjourned at 11:24 a.m.

The next Board of Administration meeting is scheduled for November 18, 2009 in Sacramento. California.